Written evidence submitted to the International Development Committee: Inquiry on the effectiveness of UK aid

Submitted by Global Justice Now, 30th April 2020.

About Global Justice Now

Global Justice Now (formerly the World Development Movement) is a democratic social justice organisation working as part of a global movement to challenge the powerful and create a more just and equal world. We mobilise people in the UK for change, and act in solidarity with those fighting injustice, particularly in the global south. For 50 years, we have campaigned on international development policy, and more recently have tracked the privatisation and financialisation of UK aid.

Summary

In recent years, but particularly since the 2016 Brexit vote, UK aid has been increasingly redirected to support the UK's economic and political interests under the "mutual prosperity" and "Global Britain" agendas. These trends, which would be accelerated by the proposed merger of the Department for International Development (DfID) and the Foreign and Commonwealth Office (FCO), have undermined aid effectiveness and transparency and have led to contradictory policy across ODA spending by DfID, other departments and the cross-government funds.

As the International Development Committee (IDC) has stated previously, UK aid spending is fundamentally undermined by climate change and the large amounts of UK aid funding given to the "fossil fuel economy" is a major contradiction in government policy.[1] Both DfID and CDC also continue to support the privatisation of public services in the global south despite significant evidence this has poor development impact and exacerbates inequalities. In our view, it is time for a new approach to UK aid spending based on mutual solidarity, as we have outlined below.

Recommendations for government

We are calling for:

- The maintenance of DfID as an independent department with its own Secretary of State;
- An expansion of the definition of aid which mandates government to use development funds for tackling poverty, inequality and climate change;
- A new mandate and structure for CDC Group;
- An end to all UK aid financing for fossil fuels overseas;
- An end to all UK aid financing for private, for-profit healthcare and education.

The definition and administration of UK aid

1. Recent years have seen something of a consensus emerge in Westminster on the UK's commitment to overseas aid, as all mainstream political parties supported the establishment of "the target for official development assistance [ODA] to amount to 0.7% of gross national income".[2] Achieving this consensus was a considerable achievement.

2. However, this focus on the size of the aid budget has prevented a robust debate over how this money should be spent, what it should be spent on, and why. This has left development policy to be shaped by ministers with a preference for privatisation, big business, and free market models of development. In particular, we have seen consecutive Conservative governments talk about the importance of a "Global Britain" since the 2016 EU Referendum, and the need (in their view) for development policy to support "mutual prosperity".

3. This preference for an increasingly private sector-led, marketised version of development reflects one of two divergent modes of thinking on development at present. Wilton Park have argued that while "some economists have argued that for a successful aid donor/ recipient relationship to be formed there needs to be 'mutual self-interest' on both sides", many civil society voices see "greater opportunities for strategic partnerships between countries based upon mutual solidarity".[3]

4. As Global Justice Now and others have argued elsewhere, a mutual prosperity approach to UK aid, and the proposed DfID-FCO merger that comes with it, severely risks undermining the effectiveness, transparency and accountability of UK aid spending.[4] The Independent Commission for Aid Impact has also highlighted the risks associated with this approach, including the potential dilution of UK aid's focus on poverty reduction and a loss of public trust in development strategy.[5]

5. Similarly, over 100 UK NGOs have expressed concerns that a DfID-FCO merger would turn UK aid into a "vehicle for UK foreign policy" which is spent to secure the UK's "commercial and political objectives" rather than poverty reduction.[6]

6. However, the merger is already *de facto* taking place; in 2019, DfID accounted for only 73.2% of ODA expenditure, slightly up from 72% in 2017.[7] The National Audit Office has raised concerns about the transparency and effectiveness of ODA expenditure by non-DfID departments and cross-government funds.[8]

7. This approach has led to outcomes which contradict and undermine other areas of UK development policy. For example, Global Justice Now calculates that approximately £874 million of ODA has been invested in overseas fossil fuel projects since 2013.[9] This includes money given to the cross-government Prosperity Fund, which counts enhancing mutual prosperity and developing export opportunities for UK businesses among its objectives, to expand the oil and gas sectors in middle-income countries.[10]

8. Global Justice Now has also previously raised concerns about the transparency and accountability of the cross-government Conflict, Stability and Security Fund which was found to be funding security forces in several states involved in appalling human rights abuses.[11]

9. Recent development policy has also seen large amounts of aid funding being given to for-profit healthcare and education providers in the global south, despite significant evidence that these approaches are not effective, exacerbate inequalities and undermine public services.[12]

10. It is therefore important for aid effectiveness and transparency that not only is DfID maintained as an independent department with its own Secretary of State who is responsible and accountable for aid spending, but also that the amount of ODA being spent by other government departments and cross-government funds is heavily reduced over time.

11. Furthermore, the definition of UK aid should be expanded so that development funds are used to contribute to poverty reduction, the reduction of global inequalities and tackling climate change. This would require a move away from the "mutual prosperity" and "Global Britain" agendas towards a "mutual solidarity" approach based on reciprocity, co-operation and atoning for the UK's historic

responsibility for poverty and climate change. Further details on what this approach should look like are included below.

How effective and transparent is the UK aid spent by the Department for International Development (DFID) compared to aid allocated to other Government departments and to the cross-Government funds?

CDC Group

1. We have significant concerns about the effectiveness and transparency of UK aid spent outside of DfID, particularly the investments made by CDC Group.

2. Global Justice Now has previously raised concerns about CDC's "fund of funds" model in our report *Doing More Harm than Good*.[13] In this report, we argue that CDC's intermediated investments made via private equity funds are highly unaccountable to UK taxpayers and the communities affected by the investments. Despite 2011 reforms that were meant to reduce the amount CDC was investing via private funds, CDC invests slightly more now (£2 billion) than it did in 2011 (£1.9 billion).[14]

3. A case in point is the ECP Africa Fund II, an investment vehicle managed by the US private equity firm Emerging Capital Partners (ECP), in which CDC has invested $47.5 million. Serious concerns have been raised about the alleged business practices of two British managers appointed by ECP to run its investee Spencon in Kenya.[15]

4. Numerous concerns have also been raised over direct investments made by CDC. For example, CDC has given repeated loans to Feronia Inc whose subsidiary PHC operates several palm oil plantations in DR Congo. There have been numerous conflicts between plantation workers and PHC owing to the low pay, poor labour rights and health and safety violations on the plantations.[16] Most seriously, a local community activist was killed last year, allegedly by a PHC security employee.[17] Although the man has now been acquitted, CDC gave further loans to Feronia in November 2019, despite the investigation into the murder and CDC's own independent investigation having yet to be concluded. This raises serious questions about the accountability of CDC's investments and whether many actually undermine DfID's broader objectives.

5. To improve aid effectiveness and transparency, it is vital that CDC is given a new mandate and structure – more details on our vision for a reformed CDC can be found in the referenced report.[18] In November 2019, the Labour Party backed Global Justice Now's recommendations for CDC to be converted into a Green Investment Bank.[19] CDC should also have an independent evaluation body which reports to the IDC on how it is meeting its reformed definition of development impact.

UK aid financing of fossil fuels overseas

6. The transparency of aid spent outside of DfID is also undermined by the large amounts of ODA invested in overseas fossil fuels by CDC, the Private Infrastructure Development Group (PIDG), and the cross-government Prosperity Fund. These investments exacerbate the climate emergency and make it harder to achieve broader development goals. The IDC has previously noted the policy inconsistency of the UK government providing climate finance and aid to the global south on the one hand, whilst supporting overseas fossil fuel projects on the other.[20] These investments undermine ministers' claims that "ODA is on its way to becoming Paris-compliant".[21]

7. Since 2013 alone, we have found that CDC has made over £521 million worth of direct investments in fossil fuel projects in Africa and Asia (see Appendix 1). But this is only the minimum amount, because CDC does not report publicly on how much it invests via private equity funds. The majority of the fossil fuel projects supported by CDC are funded by intermediated investments, so the actual amount will be much higher.

8. PIDG has received over $1 billion from the UK aid budget since 2002. PIDG has committed $750 million (£641 million) to support fossil fuel projects, using some of the world's most polluting fuels.[22] That includes $397.55 million (£340 million) invested since 2013. Furthermore, the Cross-Government Prosperity Fund has invested nearly £2 million in the expansion of oil and gas production in middle-income countries since 2016.[23]

Privatising public services

9. Whilst the above concerns reflect the lack of effectiveness and transparency involved in CDC's ODA expenditure, these problems are not limited to CDC alone. Indeed, in many cases the spending of UK aid by DfID is also problematic. A prime example of this, and another area in which UK policy is inconsistent, is the use of aid to invest in private, for-profit education and healthcare by DfID and CDC, despite the significant and growing evidence that these services can exacerbate inequalities.[24]

10. CDC has contributed towards this with its investments in private healthcare (including hospitals, pharmaceuticals companies and medical equipment manufacturers) in Africa and Asia.[25] CDC has invested $288.05 million directly in private healthcare since 2013 alone, and has made an undisclosed amount in intermediated investments.[26] CDC claims on its website that its Healthcare investments account for less than 1% of its entire portfolio, but the direct investments alone are worth approximately 5%.[27]

11. CDC has also supported for-profit, private education companies despite significant concerns raised about their exclusion of marginalised pupils, poor labour and health and safety standards and low evidence of development impact.[28] This includes investments in both low-fee private schools (such as Bridge International Academies) and elite institutions (e.g. Gems Africa).

12. However, this strategy has been supplemented by DfID investments, as we have documented previously.[29] For example, DfID has itself given £3.45 million to Bridge as part of its wider work to promote education privatisation around the world.[30] DfID has also supported health privatisation through its investments in the Harnessing Non-State Actors for Better Health for the Poor (HANSHEP) initiative. HANSHEP was designed to promote health markets, Public-Private Partnerships and the privatisation of public health systems in low-income countries.[31]

13. In order for UK aid spending to be most effective in tackling poverty and reducing global inequalities, DfID and CDC must end their support for private, for-profit education and healthcare.

14. In April 2020, the International Finance Corporation announced that it is to freeze direct investments in for-profit pre-primary, primary and secondary schools.[32] There would therefore be a strong logic for DfID and CDC to follow suit.

Hiring private contractors and consultancies

15. Another area in which the transparency and effectiveness of DfID's ODA expenditure is questionable is in the amount of money it spends with major private contractors and international consultancies for professional services.

16. A key tenet of DFID's pro-private education reform agenda, described above, is its use of private contractors. While much of this spending supports public education, private contractors are nonetheless making huge profits from the aid budget. In some cases, the work private contractors are doing with public education systems promotes and embeds private education.[33]

17. This includes large amounts of money given to Adam Smith International (ASI), one of the UK's largest consultancies pushing for pro-privatisation reforms in developing countries, which won at least £450m in aid-funded contracts from DfID between 2011 and 2016.[34]

18. In 2017, the UK government froze all contracts with ASI over "questions about its ethical integrity".[35] This came after an IDC inquiry found that the company had "acted improperly by overstepping the mark in soliciting the submission of written evidence".[36]

19. Despite this incident, the government has since re-opened contracts with ASI; in the last six months of 2019 alone, it appears that DfID disbursed over £11 million (see Appendix 2) to ASI for its involvement in numerous programmes.

20. Beyond the questions about ASI's own conduct and the appropriateness of their renewed relationship with DfID, it is also highly questionable whether such large amounts of ODA expenditure should be given to multinational firms and consultancies to carry out work for DfID in the name of poverty

reduction. Between July and December 2019 alone, only five companies received over £135 million in payments from DfID (see Appendix 2).

21. The IDC should consider whether this approach is the most effective use of UK aid.

How should the national interest be defined, and what weight should it be given, in relation to targeting UK aid?

1. It is our view that aid spending decisions should not be based on what is in the national interest of the UK, but instead should focus on co-operation, demonstrating solidarity with the global south and tackling inequality.

2. Rather than supporting the UK's narrow economic and political interest, UK aid should be reimagined as a form of global wealth redistribution that aspires to provide for universal welfare.

3. UK aid should also be used to tackle climate change whilst bearing in mind the UK's historic responsibility for carbon emissions. This means that climate finance should be provided on the terms which suit recipient countries and should support the local, public, democratic control of renewable energy systems.

4. This vision for how UK aid can be re-imagined is set out in further detail in our 2017 report, *Re-imagining UK aid: What a progressive strategy could look like*.[37] The core principles include:

    a. *Strengthening public health and education systems*

    b. *Supporting tax justice reforms to build sustainable economies*

    c. *Building a democratic economy through public-public partnerships*[38]

    d. *Supporting government revenues through budget support*

    e. *Enabling food sovereignty*

    f. *Supporting a feminist approach to development*

    g. *Helping citizens live in dignity through cash transfers*[39]

    h. *Reforming multilateral institutions and investors*

5. This approach to development is supported by a range of UK and international NGOs who are signatories to the Progressive Development Charter.[40]

6. Many of these core principles are also shared by the Labour Party's approach to development outlined in *A World for the Many, Not the Few*.[41]

Appendix 1 – CDC investments in fossil fuels

Company	**Description**	**Location**	**Date**	**Value of investment**
Actis Energy Cameroon (Eneo)	Eneo is the company holding the concession in Cameroon's public electricity sector. It owns and operates over 900 megawatts (MW) of generation capacity.	Cameroon	Jun-14	$10,100,000
Africa Power Platform PCC	Houses power projects in Uganda and Kenya including the HFO-burning 75 MW Tsavo project.	Kenya	Feb-17	$68,500,000
Amandi Energy	Involves the construction of a 203MW gas turbine	Ghana	Dec-16	$82,900,000

	in Western Ghana.			
ARM Cement	A coal-burning cement producer.	Kenya	Sep-16	$144,000,000
Azura Power	A 450 megawatt (MW) open cycle gas turbine power station in Edo State, Nigeria.	Nigeria	Dec-15	$30,000,000
Bangla Offshore LNG	Bangladesh's first liquefied natural gas (LNG) import terminal.	Bangladesh	Feb-18	$25,000,000
Grindrod	A freight and financial services company which facilitates the export of coal.	South Africa	May-14	$16,600,000
Indorama Eleme Fertilizer Chemicals Ltd	The company will build and operate a fertilizer production facility near Port Harcourt, Nigeria, along with an 84km pipeline to transport gas to the plant.	Nigeria	Apr-13	$140,000,000
Sirajganj 4	A greenfield dual-fuel combined-cycle power plant in the Sirajganj district.	Bangladesh	Aug-17	$103,000,000
Summit Meghnaghat	SPI is the country's largest independent power producer, with 15 power plants and total generating capacity over 1,201MW.	Bangladesh	Jul-14	$17,500,000
Tè Power	To build a 50MW, HFO-burning power plant in Conakry, Guinea.	Guinea	Mar-18	$39,000,000
			TOTAL	**$680,200,000**
			TOTAL	**£521,700,000**

Appendix 2 – DfID spend with major private contractors July-Dec 2019[42]

	Adam Smith International	**Mott McDonald**	**Oxford Policy Management**	**Palladium**	**PricewaterhouseCooper**
Jul-19	£1,429,045.32	£8,089,196.85	£3,453,491.45	£6,315,085.11	£4,169,553.04
Aug-19	£2,272,468.00	£9,393,500.00	£4,328,189.66	£3,776,650.00	£2,595,583.00
Sep-19	£2,401,640.97	£4,231,916.24	£2,012,663.74	£4,136,410.66	£2,554,754.80
Oct-19	£1,244,874.59	£6,545,344.85	£4,816,564.41	£6,551,564.04	£3,342,923.04
Nov-19	£2,999,157.88	£4,338,706.36	£3,297,995.56	£4,105,157.52	£4,708,183.69
Dec-19	£1,481,103.38	£6,478,225.36	£7,649,580.26	£10,210,203.68	£7,197,391.19
Total	£11,828,290.14	£39,076,889.66	£25,558,485.08	£35,095,071.01	£24,568,388.76

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